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C O N F I D E N T I A L MUSCAT 000148

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STATE FOR NEA/ARP
COMMERCE FOR ITA THOFFMAN

E.O. 12958: DECL: 02/18/2018

TAGS: [ECON](#) [PGOV](#) [MU](#)

SUBJECT: MINISTER: "PRESSURE" LED TO PRICE STABILIZATION
PLAN

REF: MUSCAT 123

Classified By: Ambassador Gary A. Grappo for Reasons 1.4 (b,d)

¶1. (C) On February 16, the Ambassador raised the Sultan's price stabilization initiatives (reftel) with Commerce and Industry Minister Maqbool bin Ali Sultan. Maqbool noted that the government had been "under a lot of pressure" to take action against the rising level of inflation, which was reported by the Ministry of National Economy to be at over 8% in December -- the highest in 16 years. The Minister, however, was not surprised about such price increases when "there are so many projects underway."

¶2. (C) The Minister commented that the Sultan's decision to reduce wheat prices would affect the government's profits at its flour mill "in a big way." (Note: The Commerce Ministry's Director General of Planning also serves as Oman Flour Mills' chairperson. The government is the majority shareholder of the company. End Note.) Maqbool added that his ministry has been in discussion with the retail industry to urge them to recognize their "social responsibility" with regard to the price of basic food products, such as rice, sugar, cooking oil, flour, tea, and milk. The Ministry is also watching closely prices for cement and steel. "We are conducting convincing exercises," mused the Minister. "A lot can be done this way." To prevent hoarding by wholesalers, Maqbool remarked that the Ministry of National Economy has lent personnel to help Commerce and Industry officials conduct inspections of warehouses.

¶3. (C) Maqbool stated that these measures were taken to avoid establishing additional subsidies, which he noted had been on the rise in Saudi Arabia and Qatar. "I am against subsidies," said the Minister. "They don't work in the long-term." Maqbool elaborated that in lieu of further subsidies, the government had increased public sector wages in a tiered format to benefit those who needed the bump the most.

¶4. (C) Comment: The Minister's statements reflect the incremental approach the government has adopted toward cushioning the effect of rising prices. They also reflect the level of the Sultan's involvement in the decision-making process. Embassy expects that the government, after rolling out its public sector wage hike and augmenting its subsidy program, will continue to employ "consultative mechanisms" -- such as committees to study the dynamics of rent and food prices -- to show the public that it remains engaged on cost of living issues. End comment.
GRAPPO